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**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION**

In re:

Bankruptcy Case

No. 19-30088 (DM) Chapter 11

PG&E CORPORATION,

(Lead Case)(Jointly Administered)

- and -

**PACIFIC GAS AND ELECTRIC
COMPANY,**
Debtors.

**DECLARATION OF DINYAR MISTRY IN
SUPPORT OF MOTION OF DEBTORS
PURSUANT TO 11 U.S.C. §§ 363 AND 105(a)
FOR AN ORDER APPROVING TERMS OF
EMPLOYMENT FOR NEW CHIEF
EXECUTIVE OFFICER AND PRESIDENT OF
PACIFIC GAS AND ELECTRIC COMPANY**

☐ Affects PG&E Corporation

☒ Affects Pacific Gas and Electric Company

☐ Affects both Debtors

** All papers shall be filed in the Lead Case,
No. 19-30088 (DM).*

Date: October 22, 2019

Time: 10:00 a.m. (Pacific Time)

Place: United States Bankruptcy Court
Courtroom 17, 16th Floor
San Francisco, CA 94102

1 I, Dinyar Mistry, pursuant to section 1746 of title 28 of the United States Code, hereby declare
2 under penalty of perjury that the following is true and correct to the best of my knowledge, information
3 and belief:

4 I am the Senior Vice President of Human Resources at PG&E Corporation and Pacific Gas and
5 Electric Company (collectively, “**PG&E**” or the “**Debtors**”), and have served in my current role since
6 2016. I am authorized to submit this Declaration (the “**Declaration**”) on behalf of the Debtors in
7 support of the *Motion of Debtors Pursuant to 11 U.S.C. §§ 363 and 105(a) for an Order Approving*
8 *Terms of Employment for New Chief Executive Officer and President of Pacific Gas and Electric*
9 *Company* (the “**Motion**”).¹ The facts set forth in this Declaration are based upon my personal
10 knowledge, my review of relevant documents, and information provided to me by the Debtors’ other
11 employees or the Debtors’ legal, restructuring, and financial advisors. If called upon to testify, I could
12 and would competently testify to the facts set forth herein.

13 **I. Background and Qualifications**

14 In my current capacity as Senior Vice President of Human Resources, my duties include
15 oversight of the Debtors’ talent acquisition, engagement and retention, compensation programs,
16 employee development and training, labor relations, and diversity and inclusion programs. Since
17 joining PG&E in 1994, I have held numerous positions, including Vice President of Regulation and
18 Rates, Vice President of Internal Audit and Compliance, and Controller. I hold a Bachelor of
19 Commerce in accounting and financial management from Bombay University, a Master of Business
20 Administration from Texas Christian University, and a Master of Science in taxation from Golden
21 Gate University. I am registered as a Certified Public Accountant in the State of California. I am
22 knowledgeable and familiar with the Debtors’ day-to-day operations and, specifically, the Debtors’
23 employee benefits and compensation programs, and the processes by which they are administered and
24 developed. I am also generally familiar with the compensation practices of the Debtors’ peer
25 companies in the utility industry.

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¹ Capitalized terms used but not otherwise herein defined shall have the meanings ascribed to such
terms in the Motion.

II. The Utility's Appointment of a New Chief Executive Officer

On August 9, 2019, the Board of Directors of the Utility (the "**Board**") appointed Andrew M. Vesey as the new CEO and President of the Utility. As CEO and President, Mr. Vesey will be responsible for achieving operational excellence at the Utility through a focus on providing safe and affordable gas and electricity to its customers and first-rate customer care. Mr. Vesey's top priority is stewarding a "safety first" culture through the implementation of major changes designed to further the Utility's existing focus on safety. Mr. Vesey will also be responsible through his leadership for establishing an environment that fosters open communication and ethical business practices and for developing and strengthening relationships with the Utility's business partners and other key stakeholders. Mr. Vesey will report to the Board and work closely with and take direction from PG&E Corp.'s CEO and President, Mr. William Johnson.

A. The Chief Executive Officer Candidate Search

The Board selected Mr. Vesey after a thorough search process. Heidrick & Struggles ("**Heidrick**"), a leading executive search firm with extensive knowledge of the utility industry was retained to assist with the search for potential candidates for the Utility CEO position and identified several qualified and experienced individuals for consideration. Mr. Johnson and Mr. Mistry discussed the various candidates with Heidrick and identified four candidates to be interviewed. Mr. Johnson and the Utility's senior leadership team then conducted interviews of the four candidates and, ultimately, selected Mr. Vesey as the best-qualified individual for the position. The Compensation Committee reviewed Mr. Vesey's proposed employment terms as recommended by Mr. Johnson, and consistent with the Compensation Committee's recommendation, the Board voted to approve Mr. Vesey's appointment and employment terms.

B. Mr. Vesey's Qualifications

Mr. Vesey has extensive experience as a senior officer at electric utilities in the United States and abroad. As stated, prior to joining the Utility, Mr. Vesey served as the Managing Director and CEO of Sydney-based AGL Energy Limited, an integrated Australian energy company serving approximately 3.7 million electric and natural gas customers and operating twenty percent of the country's power generation capacity.

Before AGL, he also served in a number of leadership roles at energy companies such as AES Corporation, as Chief Operating Officer, and Entergy Corporation and Niagara Mohawk Power Corporation, where he served as a senior leader. Mr. Vesey also spent a number of years as an energy industry consultant and leader at firms that included FTI Consulting and Ernst & Young. He also served as Managing Director and Chief Executive Officer of Melbourne-based CitiPower in Australia. Mr. Vesey began his career as a system-planning engineer at Consolidated Edison.

With extensive past leadership experience, Mr. Vesey is prepared and committed to leading change and delivering results across the Utility's safety and operational areas including the electric, gas, generation and customer teams. Furthermore, it is the Board's judgment that Mr. Vesey is well-equipped to restore confidence in the Utility's safety culture, and to work to maintain and continue to build constructive relationships with regulators and policymakers.

III. Terms of Employment

Initially, the compensation arrangement offered to Mr. Vesey included a base salary, transition payment, and an annual incentive award component. The annual incentive award (payable in cash and equity) if earned, however, would have been payable pursuant to the Debtors' proposed Key Employee Incentive Program, if it were approved by the Court.² On August 30, 2019, the Court denied the Debtors' motion seeking approval of the Key Employee Incentive Program [Docket No. 2664] (the "**KEIP Motion**"). Accordingly the Debtors have revised the incentive award component of Mr. Vesey's compensation to provide him with solely equity awards consistent with those previously approved in connection with the approval of Mr. Johnson's compensation arrangements, although, Mr. Vesey is not receiving stock options. On September 26, 2019, the Board formally approved Mr. Vesey's revised employment terms. The following is a summary of the material economic terms of Mr. Vesey's current proposed compensation:

Category	Description
Base Salary	• Annualized base salary of \$1 million.

² Mr. Vesey was not hired until after the KEIP Motion (as defined below) was filed and, therefore, was not a named participant. If approved, the KEIP Motion permitted the inclusion of additional participants and Mr. Vesey would have been one such additional participant.

1	Transition Payment	<ul style="list-style-type: none"> • One-time cash transition payment of \$1 million.³
2	2019 Equity Incentive Awards	<ul style="list-style-type: none"> • Equity awards will consist of (i) time-based restricted stock units (“RSUs”) and (ii) performance-based restricted stock units (“PRSUs”).⁴ • <u>RSUs and PRSUs</u>. Equity awards with a target annual value of \$2 million, which amount will be prorated based upon the five-month period Mr. Vesey will be employed at the Utility in 2019 and equals approximately \$830,000. 25% of such award will consist of RSUs that are not performance-based and 75% of such award will consist of PRSUs that are performance-based. The awards will be granted as soon as practicable after the Court’s entry of an Order approving this Motion.⁵ • The award of RSUs will vest in three equal installments on each of the first three anniversaries of the date of the grant. • The award of PRSUs will be subject to the 2019 performance-based vesting metrics (the “2019 Performance Metrics”) described below. The PRSUs will have a performance period beginning on July 1, 2019 and ending on December 31, 2019.
13	Anti-Dilution	<ul style="list-style-type: none"> • All equity incentive compensation will be subject to anti-dilution provisions upon a spin-off to shareholders and in connection with a rights offering to shareholders or other transactions in which shareholders are subject to the same anti-dilution protections as Mr. Vesey.
16	Severance ⁶	<ul style="list-style-type: none"> • Mr. Vesey will be entitled to the general severance benefits available to executive officers through the Officer Severance Policy. • Upon termination by the Utility (other than for “Cause”), Mr. Vesey may be eligible for cash severance payments and other post-employment benefits. The Officer Severance Policy provides for the following, unless otherwise set forth in the applicable award agreements: <ul style="list-style-type: none"> ○ Cash severance of one year’s salary ○ Continued vesting of unvested PRSUs and RSUs for one year ○ Limited COBRA benefits and outplacement services • Mr. Vesey has been made aware and has agreed that any

³ Subject to claw-back and repayment in the event Mr. Vesey resigns or is terminated for “Cause” within 12 months of his start date or August 19, 2020. “Cause” is defined in the PG&E Corp. 2012 Officer Severance Policy, under which the Utility is a participating employer (the “**Officer Severance Policy**”).

⁴ The initial award of RSUs and PRSUs will be based on the average closing price of PG&E Corp. common stock for the 15 consecutive trading days immediately preceding his start date of August 19, 2019.

⁵ If the grant date of an equity award would occur during a “trading blackout” period, as defined under the Debtors’ Insider Trading Policy, then the grant date shall be the first business day after the trading blackout ends.

⁶ If Mr. Vesey is terminated by the Utility for “Cause” (e.g., for dishonesty, a criminal offense, or violation of a work rule) or resigns before becoming retirement-eligible, all unvested PRSUs and RSUs will be forfeited for no consideration.

	Severance payment due and payable to him during the pendency of these Chapter 11 Cases will only be paid in accordance with section 503(c)(2) of the Bankruptcy Code.
Other Customary Benefits	<ul style="list-style-type: none">• <u>Annual Perquisite Allowance</u>: Consistent with the Utility's customary historical practice for senior executives, Mr. Vesey will receive an annual cash allowance of \$25,000. For the 2019 year, Mr. Vesey received a reduced allowance of \$12,500 to reflect the partial year period of his employment.• <u>Relocation Cost Reimbursement</u>: Consistent with the Utility's standard Relocation Assistance Program for Officers, Mr. Vesey received a one-time cash payment of \$7,000 to reimburse for expenses incurred in connection with his move to California.

The employment terms also include, among other things, customary health, retirement, and other benefits provided to senior executives of the Debtors. Although Mr. Vesey's entire compensation arrangement remains subject to Court approval, the Utility paid Mr. Vesey his annual perquisite allowance and relocation reimbursement in the approximate aggregate amount of \$19,500 shortly after Mr. Vesey's start date, consistent with the Utility's historical practice and existing policies. Mr. Vesey is also currently being paid his Base Salary. As stated above, Mr. Vesey has not been paid the Transition Payment or any other components of his compensation.

II. THE 2019 PERFORMANCE METRICS

As set forth above, to align Mr. Vesey's performance goals with the overall performance goals of the Debtors and of Mr. Johnson, Mr. Vesey's grant of PRSUs are subject to the same 2019 Performance Metrics and weightings as Mr. Johnson's PRSUs, which are in turn consistent with the 2019 STIP.⁷ Mr. Vesey's 2019 grant of PRSUs have a performance period beginning July 1, 2019 and ending December 31, 2019 (collectively, the "**2019 Performance-Based Awards**") and vest after the performance results are certified by the Debtors' Internal Audit team and approved by the Compensation Committee.

The 2019 STIP calculates an overall company score by adding public and employee safety metrics weighted at 65%, financial metrics weighted at 25%, and customer metrics weighted at 10%, subject to a threshold, target, and maximum for each metric. A summary of the 2019 Performance

⁷ The 2019 STIP refers to the Debtors' 2019 Short-Term Incentive Plan, under which approximately 10,000 employees of the Debtors are eligible for awards based on achieving certain performance metrics. The Court approved the 2019 STIP by Order dated April 29, 2019 [Docket No. 1751].

1 Metrics and their respective weightings is annexed to the Motion as **Exhibit B**.

2 Mr. Vesey's 2019 Performance-Based Awards conform to the following payout ranges:

- 3 • Threshold: 50% of target
- 4 • Target: 100% of target
- 5 • Maximum: 150% of target

6 As is the case with Mr. Johnson's employment terms, Mr. Vesey's 2019 Performance-Based
7 Awards further emphasize safety and are subject to the Public Safety Index ("PSI") modifier, which
8 adjusts overall award payout depending on the Debtors' performance on the PSI metric, the metric
9 most closely aligned with wildfire safety. If for the 2019 performance period, the aggregate score for
10 the PSI metric is below threshold, Mr. Vesey's 2019 Performance-Based Awards across all
11 components will be reduced by 50%. If, for the 2019 performance period, the aggregate score for the
12 PSI metric is at or above threshold but below target, Mr. Vesey's 2019 Performance-Based Awards
13 across all components will be reduced by 25%. As indicated, actual award payout will be based on
14 certified performance results approved by the Compensation Committee.

14 **V. Conclusion**

15 The Debtors believe Mr. Vesey will provide the additional leadership necessary for the Utility's
16 long-term success and has the appropriate experience to oversee the Utility's complex safety initiatives
17 and business operations. Accordingly, it is imperative that Mr. Vesey's employment terms are
18 approved to ensure the Utility has a CEO equipped to lead it in achieving its goals of (i) providing safe,
19 reliable and affordable gas and electric services and first-rate customer care and (ii) furthering
20 California's clean energy goals. Additionally, I believe the terms of Mr. Vesey's proposed
21 compensation, including the incentive aspects thereof, are reasonable and appropriate under the
22 circumstances. As described above, the terms of Mr. Vesey's incentive compensation is heavily
23 performance-based, with safety performance having the greatest impact on his incentive compensation.
24 If the Debtors fail to reach the target or threshold levels of the PSI metric, Mr. Vesey's 2019
25 Performance-Based Awards will be reduced by 25% or 50%, respectively, across all components. The
26 Board approved the terms of Mr. Vesey's employment after substantial discussion and deliberation and
27 upon consultation with the Board's and the Debtors' professional advisors, including Pay Governance.
28 Thus, the Debtors believe the appointment of Mr. Vesey as CEO and President of the Utility is in the

1 best interests of the Utility, its estate, creditors, shareholders, and all parties in interest, and that his
2 compensation arrangement and terms of employment should be approved.
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Pursuant to 28 U.S.C. § 1746, I declare under the penalty of perjury, that the foregoing is true and correct.

Dated: October 1, 2019

San Francisco, California



Dinyar Mistry
Senior Vice President of Human Resources
PG&E Corporation and Pacific Gas and
Electric Company